

**ELMO TOWN**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**ELMO TOWN**  
**BASIC FINANCIAL STATEMENTS**  
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**ACCOUNTANTS' REVIEW REPORT**

Honorable Mayor and Town Council  
Elmo Town  
P.O. Box 205  
Elmo, Utah 84521

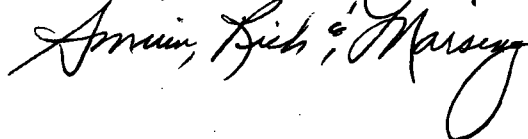
We have reviewed the accompanying financial statements of the governmental activities, the business-type activities and each major fund, of Elmo Town, (a municipality) as of June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Elmo Town.

A review consists principally of inquiries of Town personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management, discussion and analysis and budgetary comparison information as listed in the financial section of the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures, applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

SMUIN, RICH & MARSING



Price, Utah

November 28, 2005

**ELMO TOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

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Our discussion and analysis of Elmo Town's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2005.

**FINANCIAL HIGHLIGHTS**

- The Town's net assets increased \$49,841 as a result of this year's operations. Net assets of our governmental activities increased by \$46,381, and our net assets of our business-type activities increased by \$3,460.
- Total expenses of \$153,726 were \$36,114 more than the direct revenues received of \$117,612 for governmental activities.
- In the Town's business-type activities, revenues of \$54,686 were \$8,460 more than the expenses of \$46,226 for these types of activities.
- Property tax revenue for the year ended June 30, 2005 was \$17,091, sales and use tax was \$30,457. Property tax revenue increased by \$2,248, while sales and use tax increased by \$2,066 from the previous fiscal year.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The financial reports: Statement of Net Assets and the Statement of Activities (on pages 9-10) provide information about the activities of the Town as a whole and present a long-term view of the Town's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most financially significant funds.

**REPORTING THE TOWN AS A WHOLE**

Our analysis of the Town as a whole begins on page 9. The Statement of Net Assets and Statement of Activities report information about the Town as a whole and about its activities in a way that helps determine if the Town is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the Town's financial position. Increases or decreases in the Town's net assets are one indicator of whether the financial position of the Town is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's roads, water lines, sewer lines, drainage systems, and other capital assets to assess the overall health of the Town.

## REPORTING THE TOWN AS A WHOLE (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

**Governmental activities** - Most of the Town's basic services are reported here, including the general and administration cost, contributions to other agencies, fire, public works and parks department. Property taxes, franchise fees, sales taxes and state and federal grants finance most of these activities.

**Business-type activities**—The Town charges a fee to customers to help cover all or most of the cost of services it provides. The Town's water, sewer and garbage services are reported here.

### Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on page 11. The fund financial statements begin on page 11 and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. The Town established other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds – *governmental and proprietary* – use different accounting approaches.

**Governmental funds**—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in reconciliation at the bottom of the fund financial statements or on a separate schedule.

**Proprietary funds** – When the Town charges customers for the services it provides – to outside customers – these services are generally reported in proprietary funds. Proprietary funds are reported the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's Enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

### The Town as Trustee

The Town has not acted in a trustee capacity for the year ended June 30, 2005

## Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business. The Town's Statement of Net Assets, which increased during the current calendar year, presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year. The government-wide financial statements include the Town's activity only. If the Town (the primary government) had accountability to any other entity (known as a component unit), that information would also be presented in the government-wide financial statements. The analysis below; focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
<b>Assets</b>						
Current and other assets	\$ 247,269	\$ 256,479	\$ 157,406	\$ 160,910	\$ 404,675	\$ 417,389
Capital assets	1,846,447	1,884,680	121,037	121,037	1,967,484	2,005,717
<b>Total assets</b>	<b>\$ 2,093,716</b>	<b>\$ 2,141,159</b>	<b>\$ 278,443</b>	<b>\$ 281,947</b>	<b>\$ 2,372,159</b>	<b>\$ 2,423,106</b>
<b>Liabilities</b>						
Current liabilities	\$ 20,400	\$ 21,462	\$ 2,552	\$ 2,596	\$ 22,952	\$ 24,058
<b>Total liabilities</b>	<b>\$ 20,400</b>	<b>\$ 21,462</b>	<b>\$ 2,552</b>	<b>\$ 2,596</b>	<b>\$ 22,952</b>	<b>\$ 24,058</b>
<b>Net Assets</b>						
Invested in capital assets, net of debt	\$ 1,846,447	\$ 1,884,680	\$ 121,037	\$ 121,037	\$ 1,967,484	\$ 2,005,717
Restricted for:						
Class "C" roads	168,874	186,644			168,874	186,644
Cemetery perpetual care	57,944	47,104			57,944	47,104
Unrestricted	51	1,269	154,854	158,314	154,905	159,583
<b>Total net assets</b>	<b>\$ 2,073,316</b>	<b>\$ 2,119,697</b>	<b>\$ 275,891</b>	<b>\$ 279,351</b>	<b>\$ 2,349,207</b>	<b>\$ 2,399,048</b>

The Net Assets of the Town's governmental activities increased by 2.24 percent (\$2,119,697 compared to \$2,073,316). *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—is \$1,269 for the year ending June 30, 2005.

# Government-wide financial statements (Continued)

Net Assets of our business-type activities increased 1.25 percent (\$279,351 compared to \$275,891). *Unrestricted* net assets for this group amounted to \$158,314. The *unrestricted* net assets are used to finance the continuing operations of the water, sewer, and garbage service fund.

**Table 2**  
**Changes in Net Assets From Operating Results**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 1,000	\$ 1,400	\$ 43,645	\$ 54,686	\$ 44,645	\$ 56,086
Operating grants and contrib.	95	117			95	117
Capital grants and contributions		116,095				116,095
<b>General Revenues:</b>						
Property taxes	14,843	17,091			14,843	17,091
Sales taxes	28,391	30,457			28,391	30,457
Highway taxes	26,103	22,770			26,103	22,770
Other general revenue	6,941	7,177			6,941	7,177
<b>Total revenues</b>	<b>\$ 77,373</b>	<b>\$ 195,107</b>	<b>\$ 43,645</b>	<b>\$ 54,686</b>	<b>\$ 121,018</b>	<b>\$ 249,793</b>
<b>Program Expenses</b>						
General government	\$ 47,476	\$ 45,436			\$ 47,476	\$ 45,436
Public safety	5,507	11,911			5,507	11,911
Highways and public improve.	56,375	58,461			56,375	58,461
Parks and recreation	22,414	37,918			22,414	37,918
Water, sewer & garbage			\$ 34,541	\$ 46,226	34,541	46,226
<b>Total expenses</b>	<b>\$ 131,772</b>	<b>\$ 153,726</b>	<b>\$ 34,541</b>	<b>\$ 46,226</b>	<b>\$ 166,313</b>	<b>\$ 199,952</b>
<b>Excess (deficiency) before special items and transfers</b>	<b>\$ (54,399)</b>	<b>\$ 41,381</b>	<b>\$ 9,104</b>	<b>\$ 8,460</b>	<b>\$ (45,295)</b>	<b>\$ 49,841</b>
<b>Transfers in (out)</b>		<b>5,000</b>		<b>(5,000)</b>		
<b>Increase (decrease) in net assets</b>	<b>\$ (54,399)</b>	<b>\$ 46,381</b>	<b>\$ 9,104</b>	<b>\$ 3,460</b>	<b>\$ (45,295)</b>	<b>\$ 49,841</b>
<b>Net assets - beginning</b>	<b>2,127,715</b>	<b>2,073,316</b>	<b>266,787</b>	<b>275,891</b>	<b>2,394,502</b>	<b>2,349,207</b>
<b>Net assets - ending</b>	<b>\$ 2,073,316</b>	<b>\$ 2,119,697</b>	<b>\$ 275,891</b>	<b>\$ 279,351</b>	<b>\$ 2,349,207</b>	<b>\$ 2,399,048</b>

## **Government-wide financial statements (Continued)**

The Town's operational goals for future years is to continue to strive to use the allotted funds in the best interest of the Town and those who are served by the Town's operations. As revenues increase, the funds will be used to make necessary improvements in government operations, road and recreation improvements, utility improvements and purchase of supplies and equipment that are appropriate and beneficial.

### **Governmental Activities**

Revenues for the Town's governmental type activities, increased \$117,734 a 152.16 percent increase. Total expenses using these funds increased \$21,954, an increase of 16.66 percent. The largest increase in revenue was in capital grants and contributions. The largest increase in expenditures occurred in general government. The largest sources of funds other than capital grants and contributions are Sales and use taxes. These funds, and other special grants, enable the Town the opportunity to fund a variety of improvement and recreation projects. An overall increase in the revenues of approximately 152.16 percent compared to an increase of approximately 16.66 percent in expenditures has caused the increase in net assets for governmental activities of \$46,381 in 2005.

The cost of all governmental activities this year was \$153,726. As shown in the Statement of Activities on page 10, capital grants and contributions, property, sales and use tax revenue paid for the majority of these activities. Class "C" road revenue less \$5,000 of expenditures left \$17,770 to be set-a-side for future Highway and public improvement costs. Overall, the Town's governmental program revenues \$117,612 paid less than 76.5 percent of the governmental activities expenditures.

Costs of the Town's general fund are centered within several programs—general government, public safety, highways and public improvements, and parks and recreation. The net cost of expenditures (over) specific program revenues shows the financial burden that utilizes the property taxes, sales and use taxes and other miscellaneous revenue.

Costs of the Town's permanent fund are centered around the perpetual care of the cemetery. During the current year, this fund earned \$696 in interest revenue and paid out \$11,536 for road improvements at the cemetery.

### **Business-type Activities**

Revenues of the Town's business-type activities increased 25.3 percent (\$54,686 compared to \$43,645) while expenses increased 48.3 percent (\$51,226 compared to \$34,541). The overall changes for the business-type activities have been the result of an increase in the cost of water and sewer services.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Town revised their budget once. The original budget was adopted on May 25, 2004 and was adjusted on May 24, 2005. The budget was amended from \$79,127 to \$88,200 and can be briefly summarized as follows:

- \$5,073 increase in general government expenditures
- \$2,000 increase in parks, recreation and public property expenditures
- \$2,000 increase in public safety – fire department expenditures

## GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

The increase was due primarily to an increase in property, sales and use tax revenue (\$4,314).

The actual charges for the general fund expenditures were \$180,423. This was \$92,223 higher than the final budget amounts. The most significant negative variance (\$90,320) occurred in Highways and public improvements. This variance occurred because of improvements by Castle Valley Special Service District to roads within the Town and was funded by revenues received by Castle Valley Special Service District.

Resources for revenues were \$194,411. This was \$121,013 above the final budgeted amount. The most significant positive variance (\$112,890) occurred in intergovernmental revenue.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 30, 2005, the Town had \$2,005,717 (cost) invested in a broad range of capital assets, including water stock, land, buildings, improvements other than buildings, machinery and equipment, and infrastructure (see Table 3 below). This amount represents a net increase (including additions and deletions) of \$38,233, or a 1.94 percent increase over the previous year.

Table 3  
Capital Assets at Year-End  
(Net of Depreciation)  
June 30, 2005

	Governmental Activities		Business-type Activities		Totals Primary Government	
	2004	2005	2004	2005	2004	2005
Water stock			\$ 121,037	\$ 121,037	\$ 121,037	\$ 121,037
Land	\$ 4,750	\$ 4,750			4,750	4,750
Buildings	3,693	3,288			3,693	3,288
Improvements other than buildings	248,733	231,107			248,733	231,107
Machinery and equipment	19,715	14,288			19,715	14,288
Infrastructure	1,569,556	1,631,247			1,569,556	1,631,247
Total assets activities	\$ 1,846,447	\$ 1,884,680	\$ 121,037	\$ 121,037	\$ 1,967,484	\$ 2,005,717

## **CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

### **Capital Assets**

This year's major additions include:

- Curb and gutter
- Street's
- Chip and seal of all paved street's
- Fire station and town hall

This year we plan to put in 4 blocks of new curb and gutter and pave up to the curb that we put in last year. This year it is Elmo's turn for chip and seal and it will be paid for out of our B&C road allocation. We still intend on building a fire station and town hall with our CIB and USDA grants.

### **Long-term debt**

At the present time, Elmo Town does not have any long-term debt. As we begin our fire station and town hall we will incur some debt in the form of a loan at 0% interest from the CIB to be paid back over 30 years. We will pay back our debt by assessing a franchise tax on the utility companies.

## **ECONOMIC FORECAST AND FUTURE BUDGET**

At the present time, Elmo Town has two part time employees. This spring we will need to look at hiring a full time employee. We will need to look at the budget to determine a wage and amount of hours we need to fill. We are a small town with a limited tax base and our budget depends upon property taxes for the County and sales tax distribution from the state legislature. As the state debates the repeal of sales tax on food we will need to pay particular attention, as it may affect our budget dollars. Even though we are a small town with a limited budget, I believe we are on the right path of keeping Elmo prosperous and growing.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our community with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Recorder, Delina Fish at P.O. Box 205, Elmo, Utah 84521.

**ELMO TOWN**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b><u>ASSETS</u></b>			
Cash		\$ 145,455	\$ 145,455
Cash restricted	\$ 233,358		233,358
Accounts receivable (net)		15,455	15,455
Taxes receivable	9,569		9,569
Miscellaneous receivable	13,552		13,552
Capital assets (net of accumulated depreciation):			
Water stock		121,037	121,037
Land	4,750		4,750
Buildings	3,288		3,288
Improvements other than buildings	231,107		231,107
Machinery and equipment	14,288		14,288
Infrastructure	1,631,247		1,631,247
Total assets	\$ 2,141,159	\$ 281,947	\$ 2,423,106
<b><u>LIABILITIES</u></b>			
Cash Deficit	\$ 10,881		\$ 10,881
Accounts payable	887	\$ 2,596	3,483
Accrued liabilities	733		733
Deferred revenue	8,961		8,961
Total liabilities	\$ 21,462	\$ 2,596	\$ 24,058
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	\$ 1,884,680	\$ 121,037	\$ 2,005,717
Restricted for:			
Class "C" Roads	186,644		186,644
Cemetery Perpetual Care	47,104		47,104
Unrestricted	1,269	158,314	159,583
Total net assets	\$ 2,119,697	\$ 279,351	\$ 2,399,048

"See accompanying notes and accountants' review report."

**ELMO TOWN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 45,436				\$ (45,436)		\$ (45,436)
Public safety	11,911		117		(11,794)		(11,794)
Highways and public improvements	58,461			\$ 116,095	57,634		57,634
Parks and recreation	37,918	\$ 1,400			(36,518)		(36,518)
Total governmental activities	\$ 153,726	\$ 1,400	\$ 117	\$ 116,095	\$ (36,114)		\$ (36,114)
<b>Business-type activities:</b>							
Water, sewer & garbage	\$ 46,226	\$ 54,686				\$ 8,460	\$ 8,460
Total business-type activities	\$ 46,226	\$ 54,686				\$ 8,460	\$ 8,460
<b>Total primary government</b>	<b>\$ 199,952</b>	<b>\$ 56,086</b>	<b>\$ 117</b>	<b>\$ 116,095</b>	<b>\$ (36,114)</b>	<b>\$ 8,460</b>	<b>\$ (27,654)</b>
<b>General revenues:</b>							
Property taxes					\$ 17,091		\$ 17,091
Sales and use taxes					30,457		30,457
Unrestricted investment earnings					4,646		4,646
Restricted investment earnings					696		696
Highway taxes					22,770		22,770
Miscellaneous					1,835		1,835
Transfers					5,000	\$ (5,000)	
Total general revenues and transfers					\$ 82,495	\$ (5,000)	\$ 77,495
Change in net assets					\$ 46,381	\$ 3,460	\$ 49,841
Net assets - beginning					2,073,316	275,891	2,349,207
Net assets - ending					\$ 2,119,697	\$ 279,351	\$ 2,399,048

"See accompanying notes and accountants' review report."

**ELMO TOWN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>GENERAL FUND</u>	<u>CEMETERY FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>			
Cash restricted	\$ 186,644	\$ 46,714	\$ 233,358
Receivables (net):			
Taxes	9,569		9,569
Miscellaneous receivable	13,162	390	13,552
	<u>209,375</u>	<u>47,104</u>	<u>256,479</u>
Total assets	<u>\$ 209,375</u>	<u>\$ 47,104</u>	<u>\$ 256,479</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Cash Deficit	\$ 10,881		\$ 10,881
Accounts payable	887		887
Accrued liabilities	733		733
Deferred revenue	8,961		8,961
	<u>21,462</u>	<u>...</u>	<u>21,462</u>
Total liabilities	<u>\$ 21,462</u>	<u>\$ ...</u>	<u>\$ 21,462</u>
Fund balances:			
Reserved for:			
Class C Roads	\$ 186,644		\$ 186,644
Cemetery Perpetual Care		\$ 47,104	47,104
Unreserved, reported in:			
General fund	1,269		1,269
	<u>187,913</u>	<u>47,104</u>	<u>235,017</u>
Total fund balances	<u>\$ 187,913</u>	<u>\$ 47,104</u>	<u>\$ 235,017</u>
Total liabilities and fund balances	<u>\$ 209,375</u>	<u>\$ 47,104</u>	<u>\$ 256,479</u>

"See accompanying notes and accountants' review report."

**ELMO TOWN**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

Total fund balances - governmental fund types: \$ 235,017

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 4,750	
Buildings	3,288	
Improvements other than buildings	231,107	
Machinery and equipment	14,288	
Infrastructure	<u>1,631,247</u>	<u>1,884,680</u>

Net assets of governmental activities \$ 2,119,697

"See accompanying notes and accountants' review report."

**ELMO TOWN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	GENERAL FUND	CEMETERY FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>			
Taxes	\$ 47,548		\$ 47,548
Licenses and permits	191		191
Intergovernmental	138,982		138,982
Charges for services	1,400		1,400
Investment earnings	4,646	\$ 696	5,342
Miscellaneous revenue	1,644		1,644
<b>Total revenues</b>	<b>\$ 194,411</b>	<b>\$ 696</b>	<b>\$ 195,107</b>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
General government	\$ 43,527		\$ 43,527
Public safety	9,927		9,927
Highways and public improvements	119,320		119,320
Parks, recreation, and public property	1,154		1,154
Cemetery	6,495	\$ 11,536	18,031
<b>Total expenditures</b>	<b>\$ 180,423</b>	<b>\$ 11,536</b>	<b>\$ 191,959</b>
<b>Excess revenues over (under) expenditures</b>	<b>\$ 13,988</b>	<b>\$ (10,840)</b>	<b>\$ 3,148</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in (out)	\$ 5,000		\$ 5,000
<b>Total other financing sources (uses)</b>	<b>\$ 5,000</b>	<b>\$ ...</b>	<b>\$ 5,000</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>\$ 18,988</b>	<b>\$ (10,840)</b>	<b>\$ 8,148</b>
<b>FUND BALANCES - beginning of year</b>	<b>168,925</b>	<b>57,944</b>	<b>226,869</b>
<b>FUND BALANCES - end of year</b>	<b>\$ 187,913</b>	<b>\$ 47,104</b>	<b>\$ 235,017</b>

"See accompanying notes and accountants' review report."

**ELMO TOWN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	8,148
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$116,095) exceeded depreciation (\$77,862) in the current period.

38,233

Change in net assets of governmental activities	\$	<u>46,381</u>
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"See accompanying notes and accountants' review report."

**ELMO TOWN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH</u>
				<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property taxes	\$ 15,605	\$ 16,176	\$ 17,091	\$ 915
General sales and use tax	25,000	27,000	30,457	3,457
Licenses and permits	1,130	1,130	191	(939)
Intergovernmental	26,092	26,092	138,982	112,890
Charges for services			1,400	1,400
Investment earnings	3,000	3,000	4,646	1,646
Miscellaneous revenue			1,644	1,644
Total revenues	<u>\$ 70,827</u>	<u>\$ 73,398</u>	<u>\$ 194,411</u>	<u>\$ 121,013</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>General government:</b>				
Administration	\$ 46,927	\$ 52,000	\$ 43,246	\$ 8,754
Non-departmental	1,200	1,200	281	919
Total general government	<u>\$ 48,127</u>	<u>\$ 53,200</u>	<u>\$ 43,527</u>	<u>\$ 9,673</u>
<b>Public safety:</b>				
Fire		\$ 2,000	\$ 9,877	\$ (7,877)
Animal control	\$ 1,000	1,000	50	950
Total public safety	<u>\$ 1,000</u>	<u>\$ 3,000</u>	<u>\$ 9,927</u>	<u>\$ (6,927)</u>
<b>Highways and public improvements:</b>				
Highways - general	<u>\$ 29,000</u>	<u>\$ 29,000</u>	<u>\$ 119,320</u>	<u>\$ (90,320)</u>
Total highways and public improvements	<u>\$ 29,000</u>	<u>\$ 29,000</u>	<u>\$ 119,320</u>	<u>\$ (90,320)</u>

"See accompanying notes and accountants' review report."

**ELMO TOWN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH</u>
				<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
Parks, recreation, and public property:				
Parks		\$ 2,000	\$ 1,154	\$ 846
Cemetery	\$ 1,000	1,000	6,495	(5,495)
Total parks, recreation and public property	\$ 1,000	\$ 3,000	\$ 7,649	\$ (4,649)
Total expenditures	\$ 79,127	\$ 88,200	\$ 180,423	\$ (92,223)
Excess of revenue over (under) expenditures	\$ (8,300)	\$ (14,802)	\$ 13,988	\$ 28,790
OTHER FINANCING SOURCES (USES):				
Transfers in (out)		\$ 6,502	\$ 5,000	\$ (1,502)
Total other financing sources (uses)	\$ ...	\$ 6,502	\$ 5,000	\$ (1,502)
Excess of revenues and other sources over (under) expenditures and other uses	\$ (8,300)	\$ (8,300)	\$ 18,988	\$ 27,288
Fund balances - beginning of year	168,925	168,925	168,925	
Fund balances - end of year	\$ 160,625	\$ 160,625	\$ 187,913	\$ 27,288

"See accompanying notes and accountants' review report."

**ELMO TOWN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND - CEMETERY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH</u>
				<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
<b>REVENUES:</b>				
Investment earnings	\$ 1,000	\$ 1,000	\$ 696	\$ (304)
Cemetery mapping	3,500	3,500		(3,500)
Total revenues	\$ 4,500	\$ 4,500	\$ 696	\$ (3,804)
<b>EXPENDITURES:</b>				
Current:				
Cemetery:				
Mapping project	\$ 7,000	\$ 7,000		\$ 7,000
Cemetery road	11,536	11,536	\$ 11,536	
Total cemetery	\$ 18,536	\$ 18,536	\$ 11,536	\$ 7,000
Total expenditures	\$ 18,536	\$ 18,536	\$ 11,536	\$ 7,000
Excess of revenue over (under) expenditures	\$ (14,036)	\$ (14,036)	\$ (10,840)	\$ 3,196
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in (out)				
Total other financing sources (uses)	\$ ...	\$ ...	\$ ...	\$ ...
Excess of revenues and other sources over (under) expenditures and other uses	\$ (14,036)	\$ (14,036)	\$ (10,840)	\$ 3,196
Fund balances - beginning of year	57,944	57,944	57,944	
Fund balances - end of year	\$ 43,908	\$ 43,908	\$ 47,104	\$ 3,196

"See accompanying notes and accountants' review report."

**ELMO TOWN  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005**

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE</u>
	<u>WATER UTILITY</u>
 <b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ 145,455
Receivables - net	
Utilities	<u>15,455</u>
Total current assets	<u>\$ 160,910</u>
Noncurrent assets:	
Water stock	<u>\$ 121,037</u>
Total noncurrent assets	<u>\$ 121,037</u>
Total assets	<u>\$ 281,947</u>
 <b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	<u>\$ 2,596</u>
Total liabilities	<u>\$ 2,596</u>
 <b><u>NET ASSETS</u></b>	
Net Assets:	
Invested in capital assets, net of related debt	\$ 121,037
Unrestricted	<u>158,314</u>
Total net assets	<u>\$ 279,351</u>

"See accompanying notes and accountants' review report."

**ELMO TOWN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2005**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE
	WATER UTILITY
Operating revenues:	
Charges for sales and services	\$ 54,686
Total operating revenues	\$ 54,686
Operating expenses:	
Water purchases	\$ 24,217
Sewer collection services	10,537
Garbage collection fees	11,472
Total operating expenses	\$ 46,226
Income (loss) before transfers	\$ 8,460
Transfers in (out):	
Transfers out	(5,000)
Change in net assets	\$ 3,460
Total net assets - beginning	275,891
Total net assets - ending	\$ 279,351

"See accompanying notes and accountants' review report."

**ELMO TOWN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE
	WATER UTILITY
Cash Flows From Operating Activities:	
Cash receipts from customers	\$ 48,406
Cash payments to suppliers	(46,182)
Net cash provided (used) by operating activities	\$ 2,224
Cash Flows From Noncapital Financing Activities:	
Transfer to other funds	\$ (5,000)
Net cash provided (used) by capital and related financing activities	\$ (5,000)
Net increase (decrease) in cash and cash equivalents	\$ (2,776)
Cash and cash equivalents, July 1	148,231
Cash and cash equivalents, June 30	\$ 145,455
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ 8,460
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) Decrease in utility receivables	\$ (6,280)
Increase (Decrease) in accounts payable	44
Total adjustments	(6,236)
Net cash provided (used) by operating activities	\$ 2,224

"See accompanying notes and accountants' review report."

**ELMO TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Town are described below.

**A. Reporting Entity**

Elmo Town is located in Southeastern Utah in Emery County. The Town government consists of a Mayor and four Town Council members.

All financial activities and entities over which the Town has financial accountability are included in this report. The Town's financial reporting entity is comprised of all funds of the Town, which constitute the primary government.

The criteria used by the Town to determine the reporting entity consists of including any governmental department, agency, institution, commission or other governmental organization of which the Town's governing board has financial accountability. Financial accountability is derived from the governmental units' power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Financial accountability implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other.

A second criteria used in evaluating potential component units is the scope of public service. Application for these criteria involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

A third criteria used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. At June 30, 2005, according to these criteria, the Town had no component units.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**B. Government-Wide and Fund Financial Statements**

Generally accepted accounting principles (GAAP) require that state and local governments provide a government-wide statement of net assets and a government-wide statement of activities. The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations. The statements report information on all of the non-fiduciary activities of the Town. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The statement of net assets is the basic government-wide statement of position that presents all of the Town's permanent accounts (assets, liabilities, and net assets).

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont.)**

Sales taxes, property taxes, interest, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are recognized as revenue in the year for which they are levied. Amounts received or recognized as receivable at fiscal year end are included in the financial statements as taxes receivable and deferred revenue. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

**General Fund** – The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

**Special Revenue Fund** – The Cemetery Fund is used to account for the resources that are legally restricted to the extent that only earnings, and not the principal, may be used for the perpetual care of the Town's cemetery.

The Town reports the following major proprietary funds:

**The Water Fund** accounts for the operation and maintenance of the Town's water, sewer and garbage distribution systems.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources, as they are needed.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**D. Budgetary Data**

Budgets are presented on the modified accrual basis of accounting for all governmental funds and on the accrual basis for proprietary funds. Budgets are not adopted for the Elmo Town Permanent Fund. All annual appropriations lapse at fiscal year end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

1. During May of each year, the Mayor submits to the Town Council a proposed operating budget for the next fiscal year commencing July 1<sup>st</sup>. The operating budget includes proposed expenditures and the proposed sources of revenues. A final budget for the current year ending June 30 is also included.
2. Copies of the proposed budget are made available for public inspection and reviewed by the citizens of the Town.
3. If the Town does not exceed the certified tax rate, a public hearing is held prior to June 22 and the budget is legally adopted through passage of a resolution. If the Town exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
4. Once adopted, the budget can be amended by subsequent Town Council action. The Town Council can approve reductions in appropriations, but increases in appropriations, by fund, require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.
5. Minor interim adjustments in estimated revenues and appropriations during the year ended June 30, 2005, have been included in the final budget approved by the Town Council, as presented in the financial statements.
6. Expenditures may not legally exceed budgeted appropriations at the department level for the General Fund and the fund level for all other funds.

**E. Cash and Cash Equivalents**

The Town considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

**F. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

1. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. **Capital Assets**

Capital assets, which include water stock, land, buildings, improvements, equipment, infrastructure assets (e.g., roads, curb, gutter, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, improvements, equipment, and infrastructure assets of the Town are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-30
Improvements	20
Machinery and equipment	5-10
Infrastructure	40

H. **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The Town currently does not have any long-term debt.

I. **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **2. DEPOSITS AND INVESTMENTS**

The Town's deposits and investments are governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

The Town follows the requirements of the Utah Money Management Act (the Act) in handling its depository and investment transactions. The Act requires the depositing of town funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Town maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash. Income from the investment of the pooled cash is allocated based on each fund's portion of the pool. In addition, cash is separately held by individual funds.

### *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2005, the Town's bank balance of cash on deposit was \$367,932; of this amount \$100,000 was insured. But \$267,932 of these deposits are uninsured and uncollateralized.

## **3. WATER STOCK**

Because Elmo Town is located in a semi-arid part of Utah where the water supply is somewhat limited, the Town began purchasing water shares in 1988. New home construction in the town is extremely limited because of water availability. The purchase of water shares by the Town has been made to allow for new construction, which will provide the source of water for prospective homebuyers.

The water shares are uninsured. The carrying value of the water shares is their cost, \$121,037. The exact market value is unknown; however, since governmental entities are not allowed to sell water shares after acquiring them, water shares fair market value are deemed to be their cost.

#### 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	<u>\$ 4,750</u>			<u>\$ 4,750</u>
Total capital assets not being depreciated	<u>\$ 4,750</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 4,750</u>
Capital assets being depreciated:				
Buildings	\$ 12,745			\$ 12,745
Improvements other than buildings	352,531			352,531
Machinery and equipment	52,937			52,937
Infrastructure	<u>2,118,105</u>	<u>\$ 116,095</u>		<u>2,234,200</u>
Total capital assets being depreciated:	<u>\$ 2,536,318</u>	<u>\$ 116,095</u>	<u>\$ ...</u>	<u>\$ 2,652,413</u>
Less accumulated depreciation for:				
Buildings	\$ 9,052	\$ 405		\$ 9,457
Improvements other than buildings	103,798	17,626		121,424
Machinery and equipment	33,222	5,427		38,649
Infrastructure	<u>548,549</u>	<u>54,404</u>		<u>602,953</u>
Total accumulated depreciation	<u>\$ 694,621</u>	<u>\$ 77,862</u>	<u>\$ ...</u>	<u>\$ 772,483</u>
Total capital assets being depreciated, net	<u>\$ 1,841,697</u>	<u>\$ 38,233</u>	<u>\$ ...</u>	<u>\$ 1,879,930</u>
Governmental activities capital assets, net	<u>\$ 1,846,447</u>	<u>\$ 38,233</u>	<u>\$ ...</u>	<u>\$ 1,884,680</u>

4. **CAPITAL ASSETS (Continued)**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Water stock	\$ 121,037			\$ 121,037
 Total capital assets not being depreciated	 \$ 121,037	 \$ ...	 \$ ...	 \$ 121,037
 Business-type activities capital assets, net	 \$ 121,037	 \$ ...	 \$ ...	 \$ 121,037

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General government	\$ 1,909
Public safety	1,984
Highways and public improvements	55,236
Parks and recreation	<u>18,733</u>
 Total depreciation expense - governmental activities	 \$ <u>77,862</u>

5. **RESTRICTED FUND BALANCES**

Included in the General and Special Revenue Funds' cash and investment accounts at June 30, 2005 are the following, which are restricted as to their use:

Cemetery Fund	\$ 47,104
Class "C" Road Funds	<u>186,644</u>
	<u>\$ 233,748</u>

**6. PROPERTY TAXES**

The property tax revenue of the Town is collected and distributed by the Emery County treasurer as an agent of the Town. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until the date paid.

As of June 30, 2005, property taxes receivable consist of 1) delinquent taxes assessed but uncollected for calendar year 2004 and earlier and 2) taxes assessed as of January 1, 2005, but are not due and payable until November 30, 2005. It is expected that all delinquencies, plus accrued interest and penalties, will be collected within a five-year period, during which time, the County treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Beginning January 1, 1992, there was levied, in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county from the uniform fee, are distributed by the county to each taxing entity in which, the property is located in the same proportion in which, revenue collected from ad valorem real property tax is distributed. The Town recognizes age-based fees as revenues when collected by the County.

**7. PROPERTY TAX CALENDAR**

The Town adopts, by June 22, the proposed tax rates as part of its budget for the current year, which begins July 1. If the proposed rates exceed a certified tax rate, a special public hearing must be held before the final rate is adopted. The final tax rate is assessed by the County Assessor on property in the County as of January 1. The taxes are payable to the County Treasurer by the end of November and are remitted to Elmo Town by the County Treasurer as collected.

**8. PENSION PLANS**

Elmo Town does not provide its employees with pension plan coverage.

9. **BUDGET CHANGES**

Below is a summary of the final budget for the fiscal year ended June 30, 2005:

<u>FUND</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET 06-30-05</u>
General	\$ 79,127	\$ 88,200

10. **BUDGET VARIANCES**

For the year ended June 30, 2005, Elmo Town had unfavorable budget variances in the following funds and departments.

Public safety:	
Fire	\$ (7,877)
Highways and public improvements:	
Highways – general	\$(90,320)
Parks, recreation, and public property:	
Cemetery	\$ (5,495)

11. **RISK MANAGEMENT**

Elmo Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is insured through commercial companies for its general liability coverage. At June 30, 2005, the Town had no claims or judgements filed against it related to the risks mentioned above.